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Message Text

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63
ORIGIN ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 L-03 FAA-00 DOTE-00

INT-08 DRC-01 /112 R

DRAFTED BY ARA/CAR/J:DCNORTON:RC
APPROVED BY EB/IFD:PBOEKER
TREASURY:CCOOPER
ARA/CAR:JRBURKE
EB/IFD/ODF:RGELBARD
L/EB:SBOND
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P 042326Z SEP 74
FM SECSTATE WASHDC
TO AMEMBASSY KINGSTON PRIORITY

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E.O. 11652: GDS
TAGS: EAID JA US
SUBJECT: USG POSITION ON IBRD LOAN FOR JAMAICAN AIRPORT DEVELOPMENT

1. AT WORLD BANK'S BOARD OF DIRECTOR'S MEETING ON SEPT 5, US EXECUTIVE DIRECTOR WILL JOIN EXPECTED CONSENSUS IN APPROVING $12.5 MILLION LOAN TO JAMAICA FOR AIRPORT DEVELOPMENT PROJECTS. US REPRESENTATIVE WILL, HOWEVER, MAKE FOLLOWING STATEMENT FOR THE RECORD:
"WE NOTE THAT NEGOTIATIONS CONTINUE BETWEEN THE GOJ AND THE ALUMINUM COMPANIES. TE USG CONTINUES TO URGE THAT A MUTUALLY SATISFACTORY SETTLEMENT BE NEGOTIATED AND BELIEVES THAT SUCH A SETTLEMENT IS IN THE BEST INTE-RESTS OF ALL PARTIES.

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"WE FURTHER NOTE THAT THE COMPANIES HAVE INSTITUTED ICSID

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PROCEEDINGS RELATIVE TO THE RECENT, UNILATERALLY-IMPOSED TAX LEVIES AND THAT THE REPORT ON THIS LOAN FROM THE PRESIDENT TO THE DIRECTORS STATES THAT THE BANK WILL FOLLOW DEVELOPMENTS IN THESE PROCEEDINGS CLOSELY. SO TOO WILL THE UNITED STATES, A CONTRACTING STATE TO THE ICSID CONVENTION.

"WE CONTINUE TO BE HOPEFUL THAT THESE PROCEEDINGS TOGETHER WITH THE NEGOTIATIONS BETWEEN THE PARTIES CONCERNED WILL PAVE TE WAY TO;ARD A SETTLEMENT OF THE ISSUES INVOLVED."

2. IN AN UNUSUAL STEP WORLD BANK PRESIDENT ROBERT MCNAMARA ALSO TOOK NOTE OF THE JAMAICAN POSITION REGARDING ICSID IN HIS REPORT TO THE BANK'S DIRECTORS ON THIS LOAN:

"THE GOVERNMENT ACTION TO INCREASE TAXES AND ROYALTIES FOLLOWED THE FAILURE TO REACH AGREEMENT WITH THE COMPANIES ON A RENEGOTIATION OF THE TAX CLAUSE IN THE ORIGINAL COMPANY CONTRACTS. THE COMPANIES HAVE OBJECTED TO THE TAX INCREASE ANNOUNCED AND INDICATED THAT THEY WOULD TAKE LEGAL ACTION; THREE US-OWNED COMPANIES HAVE REQUESTED ARBITRATION BEFORE THE INTERNATIONAL CENTRE FOR SETTLE-MENT OF INVESTMENT DISPUTES (ICSID). THE REQUESTS FOR ARBITRATION HAVE BEEN REGISTERED BY THE CENTRE. THE NEXT STEP WILL BE THE CONSTITUTION OF ARBITRAL TRIBUNALS. THE CONVENTION CREATING THE CENTRE ESTABLISHES RULES FOR THE CONSTITUTION OF TRIBUNALS INCLUDING RULES FOR THE APPOINTMENT BY THE CENTRE OF ARBITRATORS IN CASES OF FAILURE OF THE PARTIES TO ACT. WE INTEND TO FOLLOW DEVELOPMENTS IN THIS MATTER CLOSELY. IN ADDITION TO THE ISSUE CONCERNING THE TAXES AND ROYALTIES, THERE ARE OTHER OUTSTANDING ISSUES (SUCH AS LAND OWNERSHIP, GOVERNMENT PARTICIPATION IN COMPANIES, AND GUARANTEED SUPPLY OF BAUXITE FOR COMPANIES), ON WHICH THE COMPANIES AND THE GOVERNMENT ARE NEGOTIATING." INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DISPUTES, BAUXITE, LOAN AGREEMENTS, AIRPORTS, MINING INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 04 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE194229
Document Source: CORE
Document Unique ID: 00
Drafter: DCNORTON:RC
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740245-0593
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740974/aaaaclas.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by elyme>; APPROVED <26 FEB 2003 by shawdg>
Review Markings:

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US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: USG POSITION ON IBRD LOAN FOR JAMAICAN AIRPORT DEVELOPMENT
TAGS: EAID, JM, US, IBRD
To: KINGSTON
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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